Investment research

ABN·AMRO

Bekaert

Metals & Mining/Belgium

Global Markets
Equity Research

A missed opportunity, modest upside left

09 December 2020

HOLD

Target Price (12m):	EUR 30.0
Price (07-December-20):	EUR 27.18
Exp. Performance:	+10.4%
Exp. Dividend Yield:	+2.4%
Exp. Total Return:	+12.8%

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Despite raising our FY20-FY22 estimates ahead of consensus, we maintain our Hold rating on Bekaert as the upside versus our updated price target of EUR 30/sh (given the strong share price appreciation recently) is limited. Volumes are recovering, structural cost savings are coming in, and additional measures are likely to drive EBIT margins further, which is why our FY20-FY21 EBITu is 2% and 7% ahead of consensus, respectively. However, compared with our DCF-based price target (WACC 9.1%, TV EBITu margin 7.5%) there is only modest upside. Hold, TP EUR 30/share (was EUR 19).

Surprisingly strong FY20 guidance in 3Q20 update

Because of rather cautious remarks at the 1H20 results presentation, the strong FY20 guidance (EBITu roughly at the same level as in FY19) surprised us and the market. A stronger-than-expected volume in RR, a recovery in volumes in SWS, coupled with structural cost savings and resilience in Specialties and higher covid-19 related cost savings were the key drivers.

EBITu FY21-FY22 set to improve further, but modestly

Some of Bekaert's variable cost reductions will likely become permanent. Structural cost savings are expected at EUR 50m (ABNe) vs guidance of EUR 40m, while we also assume additional measures, including the restructuring in Engineering. With volumes returning and Bekaert still in lean and mean cost containment mode, it explains why we are now some 2% and 7% ahead of consensus for FY20-FY21 EBITu, respectively.

Some areas have improved, some haven't

When we initiated on Bekaert in July FY20, its debt levels were too high, with corporate governance sub-optimal, only marginal earnings momentum, and a convoluted structure. Today, margins are up (medium-term target of 7% to be achieved in 2H20) and net debt is under control (FY20E ND/EBITDA< 2.0). However, the convoluted structure remains, corporate governance remains sub-optimal (founding family retains control with only a 34% stake), and under-investment in FY18-FY20 means much higher capex (and higher W/C) are likely to materially impact FCF in FY21 and FY22.

But upside limited: Hold reiterated, TP EUR 30/sh

Mea Culpa. We missed out on the run-up in the shares from the EUR 19 level (initiation of coverage) to the current level. But from here, despite the fact that consensus is still likely to move up modestly, we only see upside of approximately of c. 10%, which explains why we reiterate our Hold rating.

Fundamentals	
Market Cap (EURm)	1,642
Average Daily Volume (EURm)	1.5
Number of Shares (m)	60.4
Free Float (%)	66.0
52 Week High (EUR)	27.3
52 Week Low (EUR)	13.8
3 Month Performance (%)	52.6
6 Month Performance (%)	35.9
12 Month Performance (%)	11.2
Reuters Symbol	BEKB.BR
Bloomberg Symbol	BEKB BB
Website	www.bekaert.com

Source: Factset, ABN AMRO Equity Research

Year To December	2018	2019	2020E	2021E	2022E
Sales (EURm)	4,305	4,322	3,773	3,952	4,055
EBITDA (EURm)	365	384	440	499	530
EBIT (EURm)	147	155	230	289	310
EPS (fully diluted EUR)	0.51	0.73	2.05	2.70	3.02
DPS (EUR)	0.70	0.35	0.65	1.10	1.25
EV / EBITDA (x)	6.9	6.4	6.2	5.3	4.8
EV / EBIT (x)	13.9	12.4	12.1	9.1	8.2
P/E (fully diluted x)	41.3	36.3	13.3	10.0	9.0
Equity FCF Yield (%)	(1.6%)	21.0%	12.8%	8.5%	3.5%
ROCE (%)	6.1%	7.2%	6.4%	7.9%	8.2%
Net Debt / EBITDA (x)	2.8	2.1	1.7	1.3	1.3

Source: Factset, ABN AMRO Equity Research

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Executive Summary

Our view of Bekaert when we initiated coverage in July FY19…

When we initiated coverage of Bekaert in July of FY19, we argued that the positives (market-leading positions, geographic diversification, ongoing restructuring, and strengthening pricing discipline) were in balance with the negatives (covid-19/recession uncertainty, a complicated structure, and sub-optimal corporate governance).

Valuation-wise, we saw minimal upside, as we assumed only a gradual recovery in margins with covid-19 partially offsetting the material restructuring measures announced in October of FY19. We also assumed that the EBITu margin would remain below the 7% medium-term target. We argued that if (1) restructuring measures and pricing strategies proved to be effective, and (2) the new CEO would become more active in portfolio management and improve the corporate governance, then there could be upside.

…versus our view of Bekaert currently

Since then, Bekaert's new CFO (appointed July FY19), Mr. Boussaid, has proven to be an effective leader with interim CEO Schmid likely to transition into the permanent role given recent results and his remark at the 3Q20 update that we [the analysts] should get used to him. The more permanent role of Mr Schmid also reduces the risk of kitchen sinking, in our view, which may always be seen as a risk with a new CEO coming in.

The 1H20 results, and especially the updated FY20 guidance (which contrasted starkly with the message of the company at the 1H20 results presentation) imply that the medium-term target of an EBITu margin of 7%, which seemed far away at the time we wrote our initiating coverage, is likely to be achieved in 2H20.

During the Q&A of the 3Q20 update, it also became clear that Bekaert is continuing with smaller optimisation programmes, like the one announced on December 4. It also became clear that some of the variable covid-19 cost savings (less travel, less marketing, less 3rd party consulting) will become structural. During the Q&A, CFO Boussaid outlined that of the EUR 70m in Covid-19 savings in FY20, some 20% would be recurring in FY21.

The higher structural savings (Bekaert guidance EUR 40m, ABN estimate EUR 50m so an additional EUR 10m in FY22), the retained cost savings from the covid-19 measures and the additional cost optimisation programmes explain why, coupled with a recovery in volumes, we are ahead of FY20-FY21 EBITu consensus by 2% and 7%, respectively.

So much for the positives. What we are still missing is more pro-active portfolio management. Certain activities like the rope activities and certainly the combustion activities have little in common with the core activities of Bekaert and could be sold with proceeds used to finance SBB. But we view that as unlikely in the near term.

As a result, the company structure continues to be convoluted and complicated with too many product market combinations. In addition, the sub-optimal corporate governance remains with a family trust controlling Bekaert while holding just 34% of the shares and the CFO not officially being part of the board.

In addition, because capex will ramp-up in FY21 (to EUR 140-150m according to Bekaert guidance) and to EUR 220m in FY22 (ABN expectation), and because working capital will increase again due to top-line growth, the FCF in FY21 (EUR 140m) and FY22 (EUR 57m) will be significantly lower than in FY20 (EUR 210m). And that means a steep drop in FCF yields from 12.8% in FY20E, to 8.5% in FY2E1 and 3.5% in FY22E.

Valuation-wise, compared to our DCF-based price target (which uses a WACC of 9.1% and a terminal value EBITu margin of 7.5%) and despite upgrading our FY20-FY22 estimates for sales and EBITu, there is only limited upside (c.10%). That, and the still sub-optimal corporate governance (with the founding family controlling Bekaert while only owning 34% of the shares) and the still convoluted structure explains why we reiterate our Hold rating, with price target to EUR 30 per share (was EUR 19).

1. Updated estimates

1.1. Rubber Reinforcement — Recovery continues

Figure 1: Rubber Reinforcement forecast (EURm)

	1H18A	2H18A	FY18A	1H19A	2H19A	FY19A	1H20A	2H20E	FY20E	1H21E	2H21E	FY21E	FY22E	FY23E
Consolidated sales 3rd party	947	960	1,907	1,014	939	1,953	709	886	1,595	794	931	1,725	1,785	1,830
Consolidated sales	964	975	1,939	1,031	955	1,986	725	891	1,616	799	936	1,735	1,795	1,840
EBIT reported	66	86	152	91	64	155	27	73	101	63	77	140	152	161
EBIT reported margin	7.0%	9.0%	8.0%	9.0%	6.8%	7.9%	3.8%	8.2%	6.3%	7.9%	8.3%	8.1%	8.5%	8.8%
One-off costs/(gains)	18	7	25	3	14	17	1	0	0	0	0	0	0	0
EBIT underlying	84	93	177	94	78	172	28	73	101	63	77	140	152	161
EBIT underlying margin	8.9%	9.7%	9.3%	9.3%	8.3%	8.8%	3.9%	8.2%	6.3%	7.9%	8.3%	8.1%	8.5%	8.8%
D&A	62	65	127	63	59	122	53	51	104	51	51	102	102	102
EBITDA underlying	146	158	304	157	137	294	81	124	205	114	128	242	254	263
EBITDA margin	15.4%	16.5%	15.9%	15.5%	14.6%	15.1%	11.4%	13.9%	12.8%	14.3%	13.8%	14.0%	14.2%	14.4%
EBITDA reported	129	151	280	154	132	286	79	124	205	114	128	242	254	263
EBITDA margin	13.6%	15.7%	14.7%	15.2%	14.1%	14.6%	11.1%	13.9%	12.8%	14.3%	13.8%	14.0%	14.2%	14.4%
Organic growth				5.4%	1.5%	3.5%	-29.0%	-1.6%		12.0%	5.0%		3.5%	2.5%
Volume				4.3%	1.0%	2.7%	-25.0%	-1.6%		11.0%	4.0%		2.0%	2.0%
Metals (wire rod prices)				0.0%	0.0%	0.0%	-5.0%	-4.7%		0.0%	0.0%		0.0%	0.0%
Price/Mix				1.1%	0.5%	0.8%	0.0%	0.0%		1.0%	1.0%		1.5%	0.5%
FX				1.7%	1.0%	1.4%	0.0%	-1.4%		0.0%	0.0%		0.0%	0.0%
Total growth				7.1%	2.5%	4.9%	-34.0%	-7.7%	-18.3%	12.0%	5.0%	8.1%	3.5%	2.5%

Source: Bekaert, ABN AMRO Equity Research

In the first nine-months of FY20, Bekaert has reported a 17% decline in volumes, with volumes declining 14% in 1Q20 and 36% in 2Q20, which implies a volume decline of around 3% in the third quarter. Given the importance of China in the mix (c.50% of sales) which is showing growth year-on-year again, it is likely, in our view, that volumes in 4Q20 will be low single-digit positive. However, we do expect a continued negative impact both from wire rod price changes and price-mix effects. Given that volumes in 2H20 are only modestly lower than in 2H19 leading to healthy utilisation, we assume that the EBITu margin in 2H20 will be close to that of 2H19.

In FY21, we expect the market to stabilise but at slightly lower level compared to pre-covid. In the US, Europe and parts of Asia and Latin America, a significant portion of employees are likely to be working from home (so less miles/kilometres driven) and the overall economic impact of covid-19 (higher unemployment, less consumer confidence) will also impact new car sales and thus OEM volumes for Bekaert. Nevertheless, as volumes remain at a reasonably high level, we assume that EBITu margins can improve to the 8.1% level.

In terms of capacity in the production facilities, Bekaert has sufficient headroom in Europe, Latin America and North America we assume. In China, however, as utilisation rates are currently already at 95%, Bekaert is likely to resort to exporting from India, where the company has sufficient capacity headroom as the capacity was expanded in FY19, although there will be an additional logistical cost component.

Construction at the Vietnam greenfield production facility has continued. However, we assume Bekaert will want long term contracts in hand before it actually commits to fitting out the production facility with the required equipment (that is the real capex). The process from manufacturing the equipment and getting it installed in the Vietnam plant may take a total of approximately one year so even though the structure itself (roads, warehouse, production halls) is available, starting up production is not done easily.

However, as we assume that the Indian and Chinese markets will continue to grow significantly faster than any other large market, and that Bekaert will retain its current market share, it is likely that a significant part of the facility will be made ready for commissioning in late FY21 or early FY22 to accommodate growth. The Vietnam plant (and it's not fully utilised capacity at first) plus replacement sales and OEM still recovering in Europe and North America explain why we assume that the EBITu margin in FY22 (8.5%) is not fully back to the levels seen in FY18 (9.3%) and FY19 (8.8%).

However, that level is expected to be achieved in FY23 on the back of better utilisation in the Vietnam plant, high margin growth in China, and a better mix in Europe and North America due to increased penetration of super and ultra-tensile and TAWI (the steelcord coating that reduces the need for cobalt additives in the tire).

1.1. Steel Wire Solutions — Improving but still lagging

Figure 2: Steel Wire Solutions forecast (EURm)

SWS	1H18A	2H18A	FY18A	1H19A	2H19A	FY19A	1H20A	2H20E	FY20E	1H21E	2H21E	FY21E	FY22E	FY23E
Consolidated sales 3rd	762	735	1497	751	697	1448	639	680	1319	671	704	1375	1402	1430
Consolidated sales	789	765	1554	778	713	1491	655	710	1365	701	734	1435	1462	1490
EBIT (reported)	48	11	59	26	-1	25	39	42	82	44	46	89	93	96
EBIT margin	6.3%	1.5%	3.9%	3.5%	-0.1%	1.7%	6.1%	6.1%	6.2%	6.5%	6.5%	6.5%	6.6%	6.7%
One-off costs/(gains)	-10	8	-2	2	24	26	1	0	0	0	0	0	0	0
EBIT (underlying)	38	19	57	28	23	51	40	42	82	44	46	89	93	96
EBIT (underlying) margin	5.0%	2.6%	3.8%	3.7%	3.3%	3.5%	6.3%	6.1%	6.2%	6.5%	6.5%	6.5%	6.6%	6.7%
D&A	24	22	46	27	28	55	27	25	52	25	24	49	49	49
EBITDA (reported)	62	41	103	55	51	106	64	67	134	69	70	138	142	145
EBITDA (reported) margin	8.1%	5.6%	6.9%	7.3%	7.3%	7.3%	10.0%	9.8%	10.1%	10.2%	9.9%	10.1%	10.1%	10.1%
EBITDA (underlying)	72	36	108	55	38	93	67	67	134	69	70	138	142	145
EBITDA (underlying) margin	9.4%	4.9%	7.2%	7.3%	5.5%	6.4%	10.5%	9.8%	10.1%	10.2%	9.9%	10.1%	10.1%	10.1%
Organic growth				-3.3%	1.5%	-4.1%	-12.0%	1.0%		5.0%	3.5%		2.0%	2.0%
Volume				-6.3%	-4.0%	-5.2%	-10.9%	1.0%		4.0%	2.5%		1.0%	1.0%
Materials				1.0%	-6.5%	-2.6%	-0.6%	0.0%		0.0%	0.0%		0.0%	0.0%
Price/Mix				2.0%	5.5%	3.7%	-0.5%	0.0%		1.0%	1.0%		1.0%	1.0%
FX				1.8%	-0.2%	0.8%	-3.0%	-3.5%		0.0%	0.0%		0.0%	0.0%
Total growth				-1.5%	1.3%	-0.2%	-15.6%	-2.5%	-8.9%	5.0%	3.5%	4.2%	2.0%	2.0%

Source: Bekaert, ABN AMRO Equity Research

The structural cost savings programmes that started in late FY19 and continued in the early parts of FY20 (improving profitability of Qingdao plant in China, the closing of Shelbyville in the US and Ipo in Malaysia and half of the plant capacity in Bradford the UK) paid of significantly in 1H20, as EBITu margins came in at 6.3% versus our estimate of 3.5%. During the 3Q20 update call, management indicated that it had won some market share (as competitors had issues with deliveries) and that volume recovery was therefore solid, resulting in a year-on-year plus of 2.8%.

However, the company also reiterated that normal seasonality would apply in 2H versus 1H, and as we also assume that the high margin flex pipes business is still suffering, this explains why we assume a modestly lower EBITu margin on slightly higher volume in 2H20.

In FY21 we forecast a further recovery in volume (mainly in the automotive part of the business), which should lead to higher EBITu margins. However, we assume these are modest as a vast majority of the restructuring effects have already come to the fore in FY20. Smaller EBITu margin improvements are expected in FY22-FY23 on the back of better volumes, but given the competitive environment and the lack of IP (SWS manufacturers nails, barbed wire for fencing, wire for automotive windshield wipers) and thus pricing power, we remain cautious on the margin front.

1.2. Specialty businesses — Small but highly profitable

Figure 3: Specialties forecast (EURm)

Specialties	1H18A	2H18A	FY18A	1H19A	2H19A	FY19A	1H20A	2H20E	FY20E	1H21E	2H21E	FY21E	FY22E	FY23E
Consolidated sales 3rd party	209	202	411	202	212	414	185	197	382	191	202	392	398	404
Consolidated sales	214	211	425	208	218	426	188	203	393	194	207	404	410	416
EBIT (reported)	19	-52	-33	18	16	34	23	25	49	24	28	52	53	53
EBIT margin	8.9%	(24.6%)	(7.8%)	8.7%	7.3%	8.0%	12.2%	12.3%	12.4%	12.5%	13.3%	12.8%	12.8%	12.8%
One-off costs/(gains)	-1	60	59	7	11	18	1	0	0	0	0	0	0	0
EBIT (underlying)	18	8	26	25	27	52	24	25	49	24	28	52	53	53
EBIT (underlying) margin	8.6%	4.0%	6.3%	12.4%	12.7%	12.6%	13.0%	12.6%	12.8%	12.7%	13.7%	13.2%	13.2%	13.2%
D&A	8	13	21	8	7	15	7	6	13	6	6	12	12	12
Impairment	0	55	55	1	1	2	0	0	0	0	0	0	0	0
EBITDA (reported)	27	16	43	27	24	51	30	31	62	30	34	64	65	65
EBITDA (reported) margin	12.9%	7.9%	10.5%	13.4%	11.3%	12.3%	16.2%	15.6%	16.2%	15.8%	16.7%	16.3%	16.2%	16.2%
EBITDA (underlying)	27	21	48	33	34	67	31	31	62	30	34	64	65	65
EBITDA (underlying) margin	12.9%	10.4%	11.7%	16.3%	16.0%	16.2%	16.8%	15.6%	16.2%	15.8%	16.7%	16.3%	16.2%	16.2%
Organic growth				-2.8%	3.3%	0.2%	-8.0%	-7.0%	-7.5%	3.1%	2.3%	2.7%	1.4%	1.6%
Volume				-2.8%	3.3%	0.2%	-8.0%	-7.0%	-7.5%	3.1%	2.3%	2.7%	1.4%	1.6%
Price/Mix				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FX				0.0%	0.0%	0.0%	-1.0%	0.0%	-0.5%	0.0%	0.0%	0.0%	0.0%	0.0%
M&A				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total growth (yoy)				-2.8%	3.3%	0.2%	-9.0%	-7.0%	-7.7%	3.1%	2.3%	2.7%	1.4%	1.6%

Source: Bekaert, ABN AMRO Equity Research

Despite lower volumes in 1H20 from the automotive and construction end markets (all related to lockdowns), the closing of the Moen plant in Belgium resulted in improved EBITu margins. This was achieved because all the capacity was transferred to the substantially lower-cost plant in the Czech republic.

In the third quarter, the combined effect of volume recovery and price/mix changes resulted in positive top line growth year-on-year, which is likely to have resulted in somewhat higher EBITu margins. But normal strong seasonality in the (high margin) construction market, as guided for by Bekaert, explains why we pencil in modestly lower margins in 2H20.

In FY21, we expect a modest recovery in volumes, but as the Moen factory for Dramix closed in the course of 2Q20, there is still a positive trailing effect in FY21 as well, which explains the EBITu margin improvement by 40bps. With positive volume growth in FY22-FY23, Bekaert should be able to modestly improve EBITu margins from normal operational leverage.

There are two big question-marks for the division. The first is the exposure of the fibre division to the automotive diesel segment (as Bekaert manufactures diesel filters), which is expected to decline. Can other growing segments be found to offset the expected volume decline or not? The second revolves around the Combustion business. This unit is a frontrunner because of its focus on aluminium heat exchangers whereas the industry standard is still steel. The question-mark is whether the aluminium heat exchanger will continue to gain market share helped by subsidies (as was the case in the past) or whether those subsidies will be halted (as was done by China) or diminished.

1.3. BBRG — In stable territory

Figure 4: BBRG forecast (EURm)

BBRG	1H18A	2H18A	FY18A	1H19A	2H19A	FY19A	1H20A	2H20E	FY20E	1H21E	2H21E	FY21E	FY22E	FY23E
Consolidated sales	227	237	464	242	247	489	229	227	456	220	220	440	445	450
Consolidated sales	228	238	466	244	247	491	230	229	459	222	222	444	449	454
EBIT reported	-1	-19	-20	8	1	9	24	19	43	22	20	42	43	43
EBIT margin (%)	-0.4%	-8.0%	-4.3%	3.3%	0.4%	1.8%	10.5%	8.5%	9.5%	10.0%	9.2%	9.6%	9.6%	9.6%
One-offs	3	10	13	-2	5	3	0	0	0	0	0	0	0	0
EBIT underlying	2	-9	-7	6	6	12	24	19	43	22	20	42	43	43
EBIT margin (%)	0.8%	-3.7%	-1.5%	2.5%	2.4%	2.4%	10.5%	8.5%	9.5%	10.0%	9.2%	9.6%	9.6%	9.6%
D&A	14	15	29	13	19	32	16	15	31	15	15	30	30	30
EBITDA underlying	16	6	22	19	25	44	39	34	73	37	35	72	73	73
EBITDA margin	7.0%	2.6%	4.7%	7.9%	10.1%	9.0%	17.1%	15.1%	16.1%	16.8%	16.0%	16.4%	16.3%	16.3%
EBITDA reported	14	2	16	19	21	40	39	34	74	37	35	72	73	73
EBITDA margin (%)	6.2%	0.8%	3.4%	7.9%	8.5%	8.2%	17.1%	15.1%	16.3%	16.8%	16.0%	16.4%	16.3%	16.3%
Organic growth				5.5%	2.9%	4.2%	-4.0%	-8.0%	-6.0%	-4.0%	-3.0%	-3.5%	1.1%	1.2%
Volume				1.0%	1.0%	1.0%	-6.0%	-10.0%	-8.0%	-4.0%	-3.0%	-3.5%	1.1%	1.2%
Price/Mix				4.5%	1.9%	3.2%	2.0%	2.0%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FX				1.3%	1.3%	1.3%	-1.5%	0.0%	-0.8%	0.0%	0.0%	0.0%	0.0%	0.0%
Total growth				6.8%	4.2%	5.5%	-5.5%	-8.0%	-6.7%	-4.0%	-3.0%	-3.5%	1.1%	1.2%

Source: Bekaert, ABN AMRO Equity Research

The profit restoration plan initiated in FY18, focusing on significant price discipline coupled with a production footprint optimisation program (executed in FY18 and early FY19) has unexpectedly resulted in a significant jump in EBITu margin in 1H20. This has happened despite lower volumes because of product portfolio pruning and covid-19 (impacting the automotive business).

Sales, however, declined by some 17% in 3Q20, and we assume that was because of weaker end markets (Bekaert coming to end of order book in certain segments within ropes as well as A-cords) and less because of Bekaert's pruning. As Bekaert expects the fourth quarter to be in line with the third quarter, we assume a decline in EBITu margins because of lower utilisation in factories, resulting in an FY20 EBITu margin of 9.5%. In FY22 and FY23 we expect pruning to be done with volume growth returning and thus slightly higher operating margins.

1.4. Engineering / Overhead — Restructuring effects

The restructuring that Bekaert announced on 4 December will have a material impact on the Engineering department and Group Services, and thus underlying EBIT. Previously Bekaert guided for total overhead of around EUR 47-48m including the board, the executive team and Group Services, EUR 5m for Technology and some EUR 8-9m in positive results for the Engineering division on sales of equipment of the Engineering division to the divisions (mainly RR), depending on capex levels.

Bekaert is set to close a large Engineering facility whereby the machining activities will be halted and the remaining activities will be transferred to the Engineering HQ in Deerlijk. That will lead to savings for the Engineering unit of approximately EUR 3m (ABNe) based on an assumption of net redundancies of some 30 staff and halting all activities/contracts. The other measures impact Group Services and will lead to savings of EUR 3-4m (ABNe) based on the assumption of c.55 net redundancies. That explains why we now pencil in EUR 41m for Overhead.

The terrain of the Engineering site that will be closed in Ingelmunster (+/- 35.000 m2 ABNe) is likely to be sold, but it is uncertain when that will happen (we have checked streetview and it is in an industrial zone but not near a large city). Proceeds may be EUR 1-5m, but this is really a guestimate although Bekaert indicated that no remediation is necessary, which suggests a nice cash inflow.

1.5. Overall forecast – Margin improvement continues

Figure 5: Overview overall forecast (EURm)

	FY17A	FY18A	1H19A	2H19A	FY19A	1H20A	2H20E	FY20E	FY21E	FY22E	FY23E
Sales	4,098	4,305	2,218	2,104	4,322	1,770	2,003	3,773	3,952	4,055	4,139
CoGS	3,396	3,779	1,916	1,879	3,795	1,521	1,741	3,262	3,389	3,462	3,518
Gross margin	702	527	302	225	527	249	262	511	563	593	622
Gross margin (%)	17.1%	12.2%	13.6%	10.7%	12.2%	14.1%	13.1%	13.5%	14.2%	14.6%	15.0%
SG&A	384	380	187	185	372	162	123	281	274	283	298
- of which other operating income/expenses	-23	-33	7	-22	-15	4	0	0	0	0	0
EBIT	318	147	115	40	155	87	135	222	289	310	324
EBIT margin (%)	7.8%	3.4%	5.2%	1.9%	3.6%	4.9%	6.7%	5.9%	7.3%	7.6%	7.8%
One-off items	-18	63	12	75	87	5	4	9	0	0	0
Underlying EBIT	300	210	126	116	242	92	139	230	289	310	324
Underlying EBIT margin (%)	7.3%	4.9%	5.7%	5.5%	5.6%	5.2%	6.9%	6.1%	7.3%	7.6%	7.8%
Net financial expense	-93	-111	-34	-51	-85	-43	-33	-76	-70	-71	-67
Pre-tax profit	225	36	81	-10	70	44	102	146	218	238	257
Income tax	-69	-58	-32	-19	-51	-23	-40	-63	-78	-80	-84
Net profit	156	-22	48	-29	19	21	63	83	141	158	173
Result of associates	27	25	13	16	29	13	6	19	25	28	29
Result for the period	182.5	2.8	61.8	-13.6	48.2	33.8	68.2	102.0	165.9	186.1	201.8
EPS											
Basic	3.26	0.70	1.03	-0.30	0.73	0.60	1.21	1.96	2.94	3.29	3.57
Diluted	2.67	0.51	0.99	-0.26	0.73	0.60	1.21	1.95	2.93	3.29	3.57
D&A underlying	197	216	113	113	226	103	115	218	211	221	219
Underlying EBITDA - reported	497	426	239	229	468	195	254	449	499	530	543
Underlying EBITDA margin (%)	12.1%	9.9%	10.8%	10.9%	10.8%	11.0%	12.7%	11.9%	12.6%	13.1%	13.1%

Source: Bekaert, ABN AMRO Equity Research

The overall picture is one of continued margin improvements, albeit more modest than from FY19 to FY20. We also assume a recovery in the results of the associates as the Brazilian economy is likely to recover in a similar fashion as other countries, in our view, albeit perhaps a bit slower. In terms of net financial expenses, we have incorporated the redemption of the EUR 380m convertible (zero coupon) and have added the effects of the new retail bond and the repayment of the drawdown of the RCF.

1.6. Cash flow — Higher capex and W/C impacting FCF

Figure 6: Cash flow forecast overview (EURm)

Cash flow	FY17A	FY18A	1H19A	FY19A	1H20A	FY20E	FY21E	FY22E	FY23E
EBIT	318.1	146.9	114.6	155.0	91.5	230.5	288.6	309.5	323.9
Depreciation and amortisation	196.0	218.2	112.9	229.1	100.0	209.5	210.8	220.9	221.8
Impairment assets (incl JV/inventory)	-3.4	21.5	0.0	19.2	2.0	0.0	0.0	0.0	0.0
Organic change in working capital	-109.5	-28.9	-65.3	168.5	-32.8	6.1	-63.8	-72.5	-48.4
Organic change in provisions	-50.1	-36.4	-22.1	-61.3	-26.7	-10.0	0.0	0.0	0.0
Financial income and expenses	-56.8	-60.8	-16.9	-47.2	-23.3	-75.7	-70.4	-71.3	-66.6
Tax Paid	-87.1	-69.0	-29.8	-60.6	-25.3	-40.6	-72.7	-77.3	-81.7
Other changes in free cash flow	-19.8	-8.5	10.9	61.0	0.0	0.0	0.0	0.0	0.0
Operating cash flow - IFRS	187.3	182.9	104.2	463.7	85.4	319.8	292.6	309.3	349.0
OCF Bekaert definition	244.1	243.7	134.1	524.3	110.7	360.4	365.3	386.6	430.7
Capex PPE	-272.7	-181.3	-55.4	-108.4	-49.3	-102.5	-145.0	-245.0	-270.0
Capex Intangibles	-3.9	-3.7	-3.1	-4.4	-0.8	-7.5	-7.5	-7.5	-7.5
Proceeds from PPE sales	1.4	56.1	1.9	1.3	0.5	0.0	0.0	0.0	0.0
Free cashflow	-87.8	54.0	47.7	352.3	35.9	209.8	140.1	56.8	71.5
Acquisitions	-17.4	-0.4	0.0	0.0	-0.8	0.0	0.0	0.0	0.0
Divestments	37.6	2.8	0.0	0.8	0.0	36.0	0.0	0.0	0.0
Share issues / buy backs	4.0	-11.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend paid	-62.4	-62.2	-41.4	-39.6	0.0	-21.1	-53.7	-68.8	-76.4
Dividend paid to non-controlling	-27.8	-2.4	0.0	-13.9	0.0	0.0	0.0	0.0	0.0
Dividend received	28.6	24.1	1.0	18.8	3.3	13.4	12.9	15.2	16.6
Change in interest bearing debt	219.1	-3.0	-9.5	-166.3	240.0	81.0	-380.0	-25.0	-200.0
Other changes in cash flow	-32.6	-21.2	17.6	7.9	-2.5	-10.0	-10.0	-10.0	-10.0
Change in cash and cash equivalents	65.1	-15.9	18.5	164.4	276.6	309.0	-290.8	-31.7	-198.2
FX effect	-11.8	-4.6	2.1	3.5	-9.1	0.0	0.0	0.0	0.0
Net change in cash	53.3	-20.4	20.6	167.9	267.6	309.0	-290.8	-31.7	-198.2
Cash opening balance	365.5	418.8	398.4	398.3	566.2	566.2	875.2	584.5	552.7
Cash closing balance	418.8	398.4	419.0	566.2	833.8	875.2	584.5	552.7	354.5

Source: ABN AMRO Equity Research

FY20 looks set to be a good year for Bekaert in terms of underlying EBIT (EUR 230m vs EUR 242m in FY19 despite the effects of Covid-19). FCF, although lower than in FY19 is also likely to be robust at EUR 210m (vs EUR 353m in FY19).

However, as we have outlined in our initiating coverage report, Bekaert underinvested quite substantially in the period FY18-FY20, with PPE capex of some EUR 240m below depreciation cumulatively. Bekaert is guiding for capex of EUR 140-150m in FY21, and we assume that with the greenfield plant in Vietnam being fully outfitted in FY21-FY22 as well as Bekaert being required to step-up investments in other business units as well, capex in FY22-FY23 will exceed the level of depreciation by some EUR 20-30m to make up for a period of four years of underinvestment.

If one adds to that the need for additional working capital due to a recovery in volume in FY21 and normal growth in FY22, there will also be a need to invest in working capital even if we do not assume a deterioration in inventory days and DSO.

As a result, FCF will decline from EUR 210m in FY20 to EUR 140m in FY21 and EUR 57m in FY22, a significant drop. As a result, we forecast a similar decline in FCF yields from 12.8% in FY20, to 8.5% in FY21 and 3.5% in FY22.

2. Balance sheet: Net debt manageable

Figure 7: Net debt overview (EURm)

	2019A	1H20A	2020E	2021E	2022E	2023E
Net debt	992.3	1,020.4	764.2	675.0	681.7	680.0
Net debt excl IFRS	908.8	936.9	680.7	591.5	598.2	596.5
Underlying EBITDA (LTM)	468	424	449	499	530	546
Net debt/EBITDA	1.9	2.2	1.5	1.2	1.1	1.1
Reported net debt/EBITDA	1.9	2.1				

Source: Bekaert, ABN AMRO Equity Research

Due to the more than solid FCF in FY20, the proceeds from land sales (EUR 36m in 4Q20) and the proceeds of the EUR 200m retail bond (issued early October 2020), Bekaert will be able to repay the EUR 380m convertible zero coupon bond that is due in June 2021 from available gross cash, on our estimates.

In 3Q20 the company already repaid the EIB loan (EUR 75m) and the term loan (EUR 44m), and we believe it is highly likely that Bekaert will repay the RCF in FY21 which it drew down on in FY20 (although it is not in our model yet).

With the strong EBIT in 2H20 and low capex coupled with the land sale proceeds (EUR 36m), we forecast a net debt of EUR 681m leading to a ND/EBITDA of 1.5x versus 2.1x at 1H20 and 1.9x at ytd 3Q20.

3. Valuation

3.1. DCF – Modest upside

Figure 8: Discounted cash flow model (EURm)

Discounted cash flow model	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**	**2026E**	**Perp.**
Sales	3,772.7	3,952.2	4,054.9	4,139.5	4,222.3	4,306.7	4,392.9	4,447.8
EBIT	230.5	288.6	309.5	323.9	323.9	340.2	347.0	334.0
EBIT margin (%)	6.1%	7.3%	7.6%	7.8%	7.9%	7.9%	7.9%	7.5%
Tax on EBIT	-69.1	-86.6	-92.9	-97.2	-97.2	-102.1	-104.1	-100.2
NOPLAT	161.3	202.0	216.7	226.8	226.8	238.2	242.9	233.8
Deprec./Amort (incl IFRS 16)	209.5	210.8	220.9	221.8	225.0	230.0	235.0	240.0
Change W/C	6.1	-63.8	-72.5	-48.4	-35.0	-35.0	-35.0	-30.0
Capex	-110.0	-152.5	-252.5	-277.5	-240.0	-240.0	-240.0	-240.0
Acquisitions/Divestments	36.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF	302.9	196.6	112.5	122.7	176.8	193.2	202.9	203.8
Present value of FCF	301.3	179.5	94.3	94.4	124.8	125.2	120.8	1719.3
Enterprise value	2759.6							
-/- Net debt (incl IFRS 16)	977.0							
-/- Delayed dividend FY19	21.1							
-/- Minorities (MV)	86.3							
-/- Underfunded pensions	109.8							
-/- Provisions ST	30.2							
-/- Provision LT	25.1							
+ Investments	204.2							
+ Other	0.0							
Equity value	1714.3							
# of shares	60.41							
Fair value per share (EUR)	28.4							
Price target per share (EUR)	30.0							

Source: ABN AMRO Equity Research

We apply a beta of 1.3, a tax rate of 30%, a RfR of 3.0%, and a risk premium of 6.5% (all unchanged), resulting in a WACC of 9.1%. We assume a steady state EBITu margin of 7.9% (higher than that which Bekaert achieved in the last 10 years) and a terminal value EBITu margin of 7.5% (was 7.0% in our initiating coverage report).

We value the associates using an FY20 P/E of 19x and FY21 P/E of 11x (derived from the peer group) and apply a 30% discount for the lack of control (unchanged), which results in a value of the 45% stakes of roughly EUR 200m (was EUR 130m).

The result is an updated price target of EUR 30 per share versus our previous price target of EUR 19 per share when we initiated coverage on Bekaert.

3.2. SOTP: Lower price target than DCF

Figure 9: Sum-of-the-Parts valuation (EURm)

	FY20E			FY21E			FY22E		
	Multiple	EBITDA	Valuation	Multiple	EBITDA	Valuation	Multiple	EBITDA	Valuation
Rubber Reinforcement	7.8	204.5	1586.6	5.6	241.7	1,347	5.0	253.7	1,266
Steel Wire Solutions	7.8	133.8	1037.7	5.6	135.6	756	5.0	141.5	706
Specialty	7.8	61.8	480.5	6.0	63.8	383	5.5	64.5	354
BBRG	7.8	73.3	568.8	5.6	72.2	403	5.0	72.7	363
Group/Engineering/R&D	7.8	-44.0	-341.5	5.7	-31.8	-180	5.1	-30.0	-153
		429.4			481.6			502.5	
Enterprise value			3,332			2,707			2,535
-/- Net debt (incl IFRS 16)			977.0			977.0			977.0
-/- Delayed dividend FY19			21.1			21.1			21.1
-/- Minorities (MV)			86.3			86.3			86.3
-/- Underfunded pensions			109.8			109.8			109.8
-/- Provisions ST			30.2			30.2			30.2
-/- Provision LT			25.1			25.1			25.1
+ Investments			192.5			192.5			192.5
+ Other			0.0			0.0			0.0
Equity value			2,275.1			1,650.4			1,478.3
# of shares			60.4			60.4			60.4
Fair value per share (EUR)			37.7			27.3			24.5
Price target per share (EUR)						29.0			25.9
Average of FY21 + FY22									27.5

Source: Bloomberg, Bloomberg, ABN AMRO Equity Research

The sum-of-the-parts valuation using FY21 and FY22 multiples, based on the relative valuation table shown below, results in a lower price target of EUR 27.5 per share. For the moment, given that multiples of all Tier 1 automotive supplies and those directly competing with Bekaert (Xingda and Hyosung) are still depressed compared to their historic average, we feel that the DCF is the best valuation metric currently.

Figure 10: Relative valuation (multiples of peers)

Relative valuation		**P/E**			**EV/Sales**			**EV/EBITDA**	
	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E
FAURECIA	nm	11.6	7.0	0.7	0.6	0.5	6.1	3.9	3.1
CONTINENTAL AG	nm	14.9	10.7	0.8	0.7	0.6	8.4	5.2	4.3
VALEO SA	nm	21.9	12.2	0.8	0.7	0.6	8.7	5.0	4.2
SCHAEFFLER AG - PREF	nm	7.6	5.7	0.6	0.5	0.5	6.2	3.8	3.2
MAGNA INTERNATIONAL INC	21.5	10.6	8.9	0.7	0.6	0.6	8.5	5.7	5.0
DENSO CORP	46.3	16.3	13.0	1.0	0.9	0.9	10.1	7.0	5.6
ADIENT PLC	11.3	8.7	9.5	0.5	0.4	0.4	6.3	5.4	6.0
average Tier 1 automotive suppliers	26.3	13.1	9.6	0.7	0.6	0.6	7.7	5.1	4.5
MICHELIN (CGDE)	24.2	12.3	10.0	1.2	1.1	1.0	7.0	5.3	4.5
PIRELLI & C SPA	28.9	13.2	10.6	2.2	1.9	1.8	9.3	6.9	6.0
BRIDGESTONE CORP	63.2	12.9	10.9	1.0	0.9	0.9	7.4	5.4	4.9
GOODYEAR TIRE & RUBBER CO	nm	12.3	6.3	0.7	0.7	0.6	nm	5.2	4.3
YOKOHAMA RUBBER CO LTD	14.1	8.9	7.9	0.9	0.8	0.8	nm	nm	nm
APOLLO TYRES LTD	32.3	17.4	13.2	0.9	0.8	0.7	7.7	6.4	5.1
average tyre manufacturers	32.5	12.8	9.8	1.1	1.0	1.0	7.9	5.8	5.0
HYOSUNG ADVANCED MATERIALS C	nm	11.0	7.3	1.0	0.8	0.7	11.0	7.7	7.0
Xingda	5.0	4.7	3.1	0.7	0.6	0.6	4.5	4.3	3.9
metal treatment peers	5.0	7.9	5.2	0.8	0.7	0.6	7.8	6.0	5.5
Average (all groups)	25.2	13.0	10.2	1.1	1.0	1.0	9.2	6.7	6.0
RR (tire + metal)	15.7	10.5	7.4	0.8	0.7	0.6	7.8	5.6	5.0
SWS/BBRG (tire + metal)	15.7	10.5	7.4	0.8	0.7	0.6	7.8	5.6	5.0
Specialty (metal)	5.0	7.9	5.2	0.8	0.7	0.6	7.8	6.0	5.5

Source: Bloomberg, ABN AMRO Equity Research

4. ABN AMRO vs consensus

Figure 11: Overview ABN AMRO vs consensus (EURm)

			2020	2021	2022
	Revenues	ABNe	3,773	3,952	4,055
BEST_SALES_MEDIAN		Consensus	3,728	3,990	4,119
	Gross Profit	ABNe	511	563	593
		Consensus	488	563	593
	EBITDA	ABNe	449	499	530
BEST_EBITDA_MEDIAN		Consensus	436	488	532
	EBITDA margin (%)	ABNe	11.9%	12.6%	13.1%
		Consensus	11.7%	12.2%	12.9%
	EBIT	ABNe	230	289	310
BEST_EBIT_MEDIAN		Consensus	226	269	314
	EBIT margin (%)	ABNe	6.1%	7.3%	7.6%
		Consensus	6.1%	6.7%	7.6%
	Net Income	ABNe	124	163	182
BEST_NET_MEDIAN		Consensus	129	151	172
	EPS	ABNe	2.22	2.85	3.16
BEST_EPS_MEDIAN		Consensus	1.69	2.52	2.73

Source: Bloomberg, ABN AMRO Equity Research

At the top line, we differ little from the current Bloomberg consensus, and we are 3% and 2%, respectively, ahead of the FY20 and FY21 EBITDA and 2% and 7%, respectively, on the key FY20 and FY21 EBITu.

Margin-wise, we are slightly more optimistic than the FY21 consensus, with an EBITu margin of 7.3% versus 6.7%, which is probably due to our assumption of additional measures and our estimate that the structural cost savings from measures in Specialty and SWS are likely to be EUR 50m instead of the guided for EUR 40m.

At the net income (and thus EPS) level, there are more material differences, which are due to the differences in the estimate of the result of associates (the Brazilian JV assets with Arcelor Mittal) as well as the taxes, which are difficult to assess given the shifts in where profit is generated globally.

5. Appendices

5.1. Working capital assumptions

Figure 12: Overview working capital assumptions (EURm)

	FY14A	FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Inventory	640.8	628.7	724.5	779.6	931.8	783.0	670.2	715.0	749.3	771.0
Inventory days	85.7	74.7	87.4	83.8	90.0	75.3	75	77	79	80
Inventory as % of sales	19.9%	17.1%	19.5%	19.0%	21.6%	18.1%	17.8%	18.1%	18.5%	18.6%
Trade receivables	707.6	686.4	739.1	836.8	772.7	644.9	620.2	649.7	688.8	725.8
Bills of exchange	114.1	68.0	60.2	55.6	57.7	59.9	51.7	56.3	61.1	62.4
Total receivables	821.7	754.4	799.3	892.4	830.5	704.8	671.8	706.0	749.9	788.2
DSO - AR	80.3	68.2	72.6	74.5	65.5	54.5	60	60	62	64
DSO - BoE	13.0	6.8	5.9	5.0	4.9	5.1	5	5.2	5.5	5.5
Total DSO	93.3	75.0	78.5	79.5	70.4	59.5	65.0	65.2	67.5	69.5
AR as % of sales	25.6%	20.5%	21.5%	21.8%	19.3%	16.3%	17.8%	17.9%	18.5%	19.0%
Factoring					73.0	121.0	130.0			
Underlying DSO - AR					71.7	64.7	72.6			
Other assets	171.7	165.3	273.1	179.3	189.4	152.6	150.9	158.1	162.2	165.6
Other assets as % of sales	5.3%	4.5%	7.4%	4.4%	4.4%	3.5%	4%	4%	4%	4%
Trade payables	390.9	456.8	556.4	665.2	778.4	652.4	554.0	566.5	569.1	578.3
DPO	52.3	54.3	67.1	71.5	75.2	62.7	62	61	60	60
Payables as & of CoGS	14.3%	14.9%	18.4%	19.6%	20.6%	17.2%	17.0%	16.7%	16.4%	16.4%
Other current liabilities	212.0	177.6	197.0	154.0	150.8	150.4	131.3	137.5	141.1	144.0
Pension provisions	121.9	131.3	132.9	130.2	118.4	148.8	129.9	136.0	139.6	142.5
Provisions	20.5	27.0	17.7	9.2	37.2	30.2	25.2	22.7	22.7	22.7
	FY14A	FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
NWC	888.8	755.8	892.9	892.8	866.7	658.6	652.6	716.4	788.9	837.3
Change in NWC		133.0	-137.1	0.1	26.0	208.1	6.1	-63.8	-72.5	-48.4
NWC as % of sales	27.6%	20.6%	24.0%	21.8%	20.1%	15.2%	17.3%	18.1%	19.5%	20.2%

Source: ABN AMRO Equity Research

Financial Statements

P&L Statement (EURm) YE in Dec	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Net Revenue	**3,186**	**3,216**	**3,671**	**3,715**	**4,098**	**4,305**	**4,322**	**3,773**	**3,952**	**4,055**
Cost of sales	(2,703)	(2,730)	(3,073)	(3,025)	(3,396)	(3,779)	(3,795)	(3,262)	(3,389)	(3,462)
Gross Profit	482	486	598	690	702	527	527	511	563	593
Operating costs	(223)	(143)	(173)	(272)	(172)	(162)	(143)	(71)	(63)	(63)
EBITDA	**260**	**343**	**426**	**418**	**530**	**365**	**384**	**440**	**499**	**530**
Depreciation	(143)	(157)	(199)	(191)	(183)	(209)	(219)	(200)	(202)	(212)
EBITA	117	185	227	228	347	156	166	240	298	318
Amortization	(8)	(7)	(10)	(13)	(12)	(10)	(11)	(10)	(9)	(8)
EBIT	**109**	**178**	**217**	**214**	**335**	**147**	**155**	**230**	**289**	**310**
Net Interest	(64)	(63)	(62)	(73)	(87)	(85)	(66)	(66)	(60)	(61)
Associates	30	25	18	25	27	25	29	22	25	28
Other pre-tax items	(20)	(4)	(34)	(37)	(6)	(26)	(18)	(10)	(10)	(10)
Pre-tax profit	**55**	**137**	**139**	**129**	**269**	**61**	**99**	**176**	**244**	**266**
Taxes	(48)	(42)	(36)	(62)	(69)	(58)	(51)	(51)	(83)	(87)
Minorities	(11)	(0)	(4)	(7)	2	37	(7)	(2)	3	4
Other post-tax items	-	-	-	-	-	-	-	-	-	-
Reported Net Profit	**(4)**	**94**	**99**	**60**	**202**	**40**	**41**	**124**	**163**	**182**
Normalised EBITDA	288	336	429	464	497	426	468	440	499	530
Normalised EBIT	137	171	220	260	300	210	242	230	289	310
Normalised Net Profit	36	88	106	112	183	66	135	126	161	179

Balance Sheet (EURm) YE in Dec	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Financial Assets	156	156	114	147	165	154	161	169	181	194
Goodwill	16	18	36	152	150	149	150	150	150	150
Other Intangible Assets	71	98	109	140	125	115	60	58	56	55
PP&E	1,239	1,433	1,490	1,515	1,501	1,459	1,499	1,375	1,329	1,371
Other Non-Current Assets	126	146	171	183	183	173	179	169	159	149
Fixed Assets	**1,609**	**1,851**	**1,921**	**2,137**	**2,124**	**2,050**	**2,048**	**1,921**	**1,875**	**1,919**
Inventories	539	641	629	725	780	932	783	670	715	749
Debtors	693	822	754	799	892	830	705	672	706	750
Cash and Marketable Securities (1)	402	473	412	371	469	448	616	925	649	620
Other Current Assets	137	172	165	273	179	189	153	151	158	162
Total Current Assets	**1,772**	**2,107**	**1,960**	**2,168**	**2,321**	**2,400**	**2,257**	**2,418**	**2,228**	**2,281**
Total Assets	**3,380**	**3,958**	**3,881**	**4,304**	**4,445**	**4,449**	**4,305**	**4,339**	**4,103**	**4,200**
Equity	1,346	1,367	1,385	1,467	1,488	1,397	1,435	1,538	1,662	1,778
Minority Interests	158	199	131	131	95	119	96	98	96	92
Total Shareholder Funds	**1,504**	**1,566**	**1,516**	**1,598**	**1,583**	**1,516**	**1,532**	**1,636**	**1,758**	**1,870**
Long-Term Debt (2)	688	910	792	1,161	1,180	687	1,184	1,004	1,004	979
Provisions	214	286	271	298	241	208	183	173	173	173
Other Long-Term Liabilities	3	9	15	45	27	11	0	0	0	0
Short Term Debt (3)	322	442	495	298	454	942	424	685	305	305
Accounts Payable	460	513	588	689	795	897	801	684	702	709
Other Current Liabilities	190	232	205	215	163	188	181	156	160	164
Total Liabilities	**1,877**	**2,391**	**2,365**	**2,706**	**2,862**	**2,933**	**2,773**	**2,703**	**2,345**	**2,330**
Total Liabilities and Shareholder Func	**3,380**	**3,958**	**3,881**	**4,304**	**4,445**	**4,449**	**4,305**	**4,339**	**4,103**	**4,200**
Net Debt (2 + 3 - 1)	608	879	875	1,088	1,166	1,180	997	764	661	665

Cash Flow Statement (EURm)	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
EBITDA	260	343	426	418	530	365	384	440	499	530
Change in WC	78	(55)	212	16	(110)	(29)	169	6	(64)	(73)
Net Interest (paid) / received	(65)	(56)	(57)	(56)	(57)	(61)	(47)	(76)	(70)	(71)
Taxes (paid) / received	(52)	(46)	(57)	(96)	(87)	(69)	(61)	(41)	(73)	(77)
Other operating cash flow	(18)	(65)	(14)	(2)	(70)	(45)	(0)	(10)	0	0
CF from operations	**203**	**121**	**511**	**280**	**207**	**161**	**445**	**320**	**293**	**309**
Maintenance Capex	(69)	(68)	(67)	(66)	(65)	(64)	(63)	(70)	(70)	(70)
Expansionary Capex	(26)	(65)	(104)	(93)	(208)	(117)	(45)	(40)	(83)	(183)
Disposals / (Acquisitions)	11	(92)	(209)	42	22	59	2	36	-	-
Other investing cash flow	-	-	-	-	-	-	-	-	-	-
CF from investing	**(83)**	**(224)**	**(379)**	**(117)**	**(251)**	**(123)**	**(106)**	**(74)**	**(153)**	**(253)**
Increase / (decrease) in Equity	(15)	(72)	1	8	4	(11)	0	-	-	-
Increase / (decrease) in Debt	(157)	300	(167)	(209)	219	(3)	(166)	81	(380)	(25)
Dividends Paid	(58)	(50)	(48)	(50)	(62)	(62)	(40)	(21)	(39)	(66)
Other financing cash flow	115	(36)	19	22	(32)	0	13	3	3	5
CF from financing	**(116)**	**143**	**(195)**	**(229)**	**129**	**(76)**	**(193)**	**63**	**(416)**	**(86)**
Other	(2)	17	(10)	(34)	(12)	(5)	3	-	-	-
Total change in cash	**40**	**67**	**(57)**	**(36)**	**53**	**(20)**	**168**	**309**	**(276)**	**(29)**

Source:Bekaert, ABN AMRO Equity Research

Per Share Data (EUR)	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Avg. no. of shares (mln)	58.5	57.6	55.8	56.3	56.7	56.5	56.5	56.5	56.5	56.5
Eoy no. of shares (mln)	60.1	60.1	60.1	60.3	60.4	60.4	60.4	60.4	60.4	60.4
Avg. no. of shares FD (mln)	58.7	58.9	56.1	56.9	66.4	64.1	56.6	56.6	56.6	56.6
Dividend Per Share	0.85	0.85	0.90	1.10	1.10	0.70	0.35	0.65	1.10	1.25
EPS	(0.07)	1.56	1.65	0.99	3.34	0.66	0.68	2.05	2.70	3.02
Normalised EPS	0.41	1.45	1.70	1.74	3.06	1.71	2.12	2.05	2.70	3.02
Diluted EPS	(0.07)	1.56	1.65	0.99	3.34	0.66	0.68	2.05	2.70	3.02
Diluted Normalised EPS	0.41	1.45	1.70	1.74	3.06	0.51	0.73	2.05	2.70	3.02
Book Value per Share	25.04	26.05	25.21	26.48	26.22	25.10	25.35	27.08	29.10	30.96
Cash Earnings per Share	1.63	3.23	4.56	3.90	5.60	3.63	3.74	4.52	5.20	5.68
Equity Free Cash Flow per Share	2.43	(0.03)	5.92	3.07	(1.41)	0.03	5.88	3.47	2.32	0.94
Gross Operating Cash Flow per Share	5.95	3.87	10.65	8.22	5.49	5.18	9.46	7.22	7.21	7.58
Net Operating Cash Flow per Share	4.00	2.18	8.76	5.69	3.10	3.03	7.68	5.29	4.84	5.12
EBITDA per Share	4.32	5.70	7.08	6.93	8.78	6.04	6.36	7.28	8.27	8.78

Valuation	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Share Price Average	24.9	27.2	26.1	37.1	42.1	28.2	24.0	27.2	27.2	27.2
Share Price YE (used for MC calculation	25.7	26.3	28.4	38.5	36.4	21.1	26.5	27.2	27.2	27.2
Market Cap	1,545	1,584	1,707	2,322	2,200	1,272	1,601	1,642	1,642	1,642
Net debt	608	879	875	1,088	1,166	1,180	997	764	661	665
Other EV adjustments	539	631	502	555	500	478	410	375	333	233
Enterprise Value	2,692	3,094	3,084	3,966	3,866	2,930	3,008	2,781	2,635	2,540
EV / Normalised Sales	0.8	1.0	0.8	1.1	0.9	0.7	0.7	0.7	0.7	0.6
EV / Normalised EBITDA	8.3	9.0	7.1	7.7	7.8	6.9	6.4	6.2	5.3	4.8
EV / Normalised EBITA	18.5	17.3	13.4	14.5	11.7	13.3	11.9	11.6	8.9	8.0
EV / Normalised EBIT	19.6	18.1	14.0	15.3	12.9	13.9	12.4	12.1	9.1	8.2
P / E Normalised	62.9	18.2	16.7	22.1	11.9	12.3	12.5	13.3	10.0	9.0
P / E Normalised fully diluted	62.9	18.2	16.7	22.1	11.9	41.3	36.3	13.3	10.0	9.0
Equity FCF yield	7.0%	(0.7%)	19.9%	5.2%	(3.0%)	(1.6%)	21.0%	12.8%	8.5%	3.5%
Div yield	3.3%	3.2%	3.2%	2.9%	3.0%	3.3%	1.3%	2.4%	4.0%	4.6%
WACC	9.17%	9.17%	9.17%	9.17%	9.17%	9.17%	9.17%	9.17%	9.17%	9.17%
EV/IC	1.2	1.4	1.3	1.6	1.4	1.1	1.2	1.1	1.1	1.0
ROIC / WACC	0.5	0.6	0.8	0.9	1.0	0.7	0.8	0.8	1.0	1.1
P/B	1.0	1.0	1.1	1.5	1.4	0.8	1.0	1.0	0.9	0.9
ROE / COE	0.5	0.6	0.8	0.9	1.0	0.7	0.9	0.8	0.9	0.9

Analysis	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
NOPAT (EURm)	108	135	174	205	237	166	191	182	228	245
NOPAT Adjusted (EURm)	108	135	174	205	237	166	191	182	228	245
Return on Average Capital Employed	4.2%	5.2%	6.5%	7.2%	7.7%	6.1%	7.2%	6.4%	7.9%	8.2%
Return on Average Invested Capital	4.9%	5.9%	7.2%	8.1%	8.7%	6.1%	7.3%	7.4%	9.5%	9.9%
Return on Average Assets	3.1%	3.7%	4.4%	5.0%	5.4%	3.7%	4.4%	4.2%	5.4%	5.9%
Return on Average Equity	7.0%	8.8%	11.3%	13.2%	14.9%	10.7%	12.5%	11.5%	13.4%	13.5%
Gross Profit Margin	15.1%	15.1%	16.3%	18.6%	17.1%	12.2%	12.2%	13.5%	14.2%	14.6%
Normalised EBITDA Margin	9.1%	10.4%	11.7%	12.5%	12.1%	9.9%	10.8%	11.7%	12.6%	13.1%
Normalised EBITA Margin	4.6%	5.6%	6.3%	7.3%	8.1%	5.1%	5.8%	6.4%	7.5%	7.8%
Normalised EBIT Margin	4.3%	5.3%	6.0%	7.0%	7.3%	4.9%	5.6%	6.1%	7.3%	7.6%
Normalised Pretax Margin	2.6%	4.0%	3.9%	4.7%	6.1%	2.9%	4.3%	4.7%	6.2%	6.6%
Normalised Net Profit Margin	0.8%	2.7%	2.8%	2.8%	4.5%	2.4%	3.0%	3.3%	4.1%	4.5%
Net Debt / Normalised EBITDA	2.1	2.6	2.0	2.3	2.3	2.8	2.1	1.7	1.3	1.3
Net Debt / EBITDA covenant	-	-	-	-	-	-	-	-	-	-
Net Debt / Equity (Gearing)	40.4%	56.1%	57.7%	68.1%	73.6%	77.9%	65.1%	46.7%	37.6%	35.6%
Equity / Total Assets (Solvency)	44.5%	39.6%	39.1%	37.1%	35.6%	34.1%	35.6%	37.7%	42.8%	44.5%
Solvency covenant	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EBIT Interest Cover	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Interest Cover Covenant	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Company Key Performance Indicators	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Source:Bekaert, ABN AMRO Equity Research

Important disclosures

Issuer	Ticker	Price EUR
Bekaert	BEKB.BR	27.18

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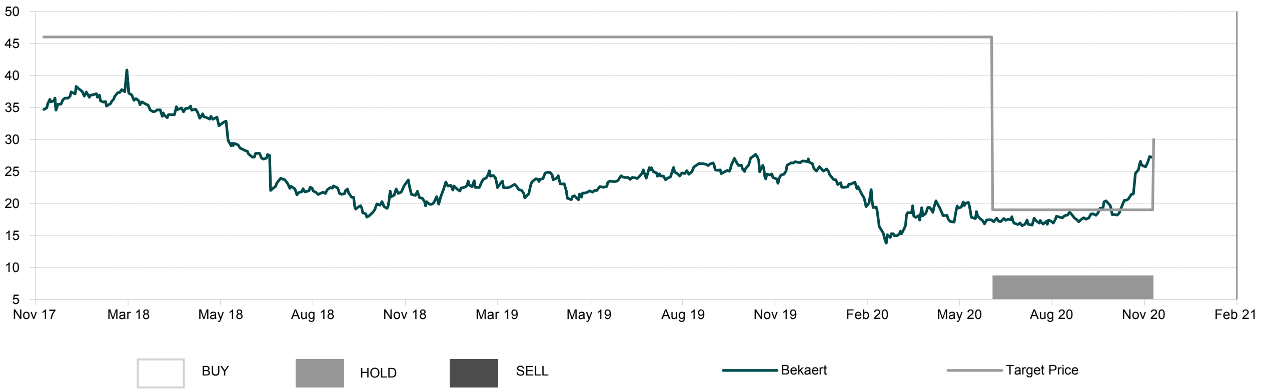
08 December 2020	ABN AMRO Bank N.V. Primary Equity Research Coverage: 119		
	Prior to 1-10-2014 ABN AMRO applied 4 ratings (Buy, Hold, Reduce, Sell)		

Historical equity recommendations and target price for Bekaert (EUR)



History of Target Prices		
Date	**Recommendation**	**Target Price**
8/12/2020	**HOLD**	**EUR 30.00**
2/7/2020	**HOLD**	**EUR 19.00**

History of Recommendation		
Date	**Recommendation**	**Target Price**
2/7/2020	**HOLD**	**EUR 19.00**

Source: ABN AMRO Equity Research, Factset

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